

# **Ambulatory Surgery Facilities Provider Class Plan**

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## PROVIDER CLASS

A provider class may include health care facilities or health care professionals who have a contract or reimbursement arrangement with BCBSM to render services to BCBSM's members.

### Definition

An ambulatory surgery facility under this provider class plan is a Michigan licensed facility that provides surgery and related care that can be performed without requiring inpatient hospital care. An ambulatory surgery facility excludes the office of a physician or other private practice office.

### Scope of Services

Ambulatory surgery facilities can perform surgeries pertaining to the following systems:

- ◆ Integumentary
- ◆ Respiratory
- ◆ Digestive
- ◆ Male genital
- ◆ Nervous
- ◆ Auditory
- ◆ Musculoskeletal
- ◆ Cardiovascular
- ◆ Urinary
- ◆ Female genital
- ◆ Eye/ocular addenda

## P.A. 350 GOALS AND OBJECTIVES

### Cost Goal

“Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth.” The goal is derived through the following formula:

$$\left( \frac{(100 + I) * (100 + REG)}{100} \right) - 100$$

Where “I” means the arithmetic average of the percentage changes in the implicit price deflator for gross domestic product over the 2 calendar years immediately preceding the year in which the commissioner's determination is being made; and,

Where “REG” means the arithmetic average of the percentage changes in the per capita gross domestic product in constant dollars over the 4 calendar years immediately preceding the year in which the commissioner's determination is being made.”

### Objectives

- Limit the rate of increase in total payments per member for ambulatory surgery facilities to the compound rate of inflation and real economic growth, as specified in P.A. 350, giving consideration to Michigan and national health care market conditions.
- Provide equitable reimbursement to ambulatory surgery facilities in return for high quality services that are medically necessary.

## **Access Goal**

“There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber.”

### **Objectives**

- Participate with all ambulatory surgery facilities that meet BCBSM’s qualification standards.
- Move toward an increased participation rate by restructuring the qualification standards for participation.
- Minimize disruptions in patient care and physician surgical practices by allowing facilities a transition period for meeting Evidence of Necessity standards. Advise the Insurance Commissioner of the progress of each step of the transition period and implementation process.
- Recognize the unique needs of rural areas by establishing specific operating room minimums for rural ambulatory surgery facilities.
- Provide members with current addresses and telephone numbers of all participating ambulatory surgery facilities.
- Review reimbursement levels periodically and adjust as necessary.

## **Quality Of Care Goal**

“Providers will meet and abide by reasonable standards of health care quality.”

### **Objectives**

- Apply and monitor providers’ compliance with participation requirements and performance standards.
- Assess member satisfaction with ambulatory surgery facility services.

- Meet with the ambulatory surgery facilities liaison committee at least two times annually to allow facilities the opportunity to discuss with BCBSM such issues as quality of care, medical necessity, administrative concerns, participation standards, etc.
- Regularly provide all participating facilities with information on topics such as changes in payable services, group benefit changes, billing requirements, in addition to general educational materials.
- Maintain and update, as necessary, an appeals process that allows facilities to appeal individual claims disputes or utilization review audits. This process is described in Addendum C of the Ambulatory Surgical Facility Participation Agreement.

## BCBSM POLICIES & PROGRAMS

BCBSM maintains a comprehensive set of policies and programs that work toward achieving the provider class plan goals and objectives. These policies and programs are designed to help BCBSM meet the P.A. 350 goals by limiting cost, maintaining accessibility, and ensuring quality of health care services to its members. To that extent, the following policies and programs may, individually or in combination, affect achievement of one or more of the P.A. 350 goals. BCBSM annually reports its performance against the goals and objectives for each provider class plan.

### Provider Participation

BCBSM may issue a participating contract that covers all members of a provider class or it may offer a separate and individual contract on a per claim basis, if applicable to the provider class.

#### Participation Policy

Participation for ambulatory surgery facilities is on a formal basis only. Facility services rendered in a non-participating ambulatory surgery facility are not reimbursed. In order to participate, facilities must meet all of BCBSM's qualification standards.

#### Qualification Standards

To qualify as a participating ambulatory surgery facility, a facility must meet and continue to meet the following requirements:

- Have a physical structure other than the office of a physician, dentist, podiatrist or other private practice office, offering surgical procedures and related services that can be performed without requiring inpatient hospital care.
- Be licensed by the state of Michigan as a Freestanding Surgical Outpatient Facility (FSOF), and meet any requirements of applicable federal law.
- Be accredited as an ambulatory health care facility by at least one national accreditation organization such as the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the American Osteopathic Association (AOA), or the Accreditation Association for Ambulatory Health Care (AAAHC), or any additional accreditation organization approved by BCBSM.
- Be Medicare certified as an Ambulatory Surgery Center (ASC), or determined by Medicare to be an extension or part of a Medicare certified hospital.

- Provide surgery within at least two of the following body systems for designation as a multi-specialty ASF: integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa and auditory, etc.
- Provide surgery within only one body system for designation as a single-specialty ASF: integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa, auditory, etc.
- Maintain a minimum of three Michigan Department of Community Health (MDCH) designated operating rooms for non-rural multi-specialty ASFs, and a minimum of two MDCH designated operating rooms for non-rural single-specialty ASFs. Non-rural is determined by the United State's Department of Agriculture's most recent Rural-Urban Continuum Code. Facilities that have more than the minimum number of operating rooms must still meet all volume requirements described under the Evidence of Necessity standard.
- Maintain a minimum of two MDCH designated operating rooms for rural multi-specialty ASFs and a minimum of one MDCH designated operating room for rural single-specialty ASFs. Rural is determined by the United State's Department of Agriculture's most recent Rural-Urban Continuum Code. Facilities that have more than the minimum number of operating rooms must still meet all volume requirements described under the Evidence of Necessity standard.
- Patients admitted to the ambulatory surgery facility must be under the care of a licensed physician. A physician should be available on-site at all times when a patient is on the facility's premises. The ambulatory surgery facility should make provisions for patient care services that are appropriate to the needs of the patients and the community it serves.
- Have an organized medical staff, established in accordance with policies and procedures developed by the facility, that is responsible for maintaining proper standards of medical care. Membership on the medical staff must be available to qualified physicians in the community. Criteria for membership on the medical staff will be established and enforced by a credentials evaluation program established by the facility.
- Have a written agreement with at least one acute care general hospital, within a reasonable travel time, as determined by BCBSM, to facilitate prompt transfer of patients requiring hospital care. The written agreement with a hospital shall provide that copies of the facility's medical records shall be transmitted to the hospital where the patient is transferred.
- Conduct program evaluation, utilization review and peer review to assess the appropriateness, adequacy and effectiveness of the program's administrative and clinical components applicable to all patient services in accordance with the requirements of BCBSM and the appropriate accrediting and regulatory agencies.
- Have a governing board that is legally responsible for the total operation of the facility, and for ensuring that quality medical care is provided in a safe environment.



- Financial affairs must be conducted in a manner consistent with prudent fiscal management. Records of its transactions shall be maintained in conformity with generally accepted accounting principles, and with BCBSM billing, reporting and reimbursement policies and procedures.
- Meet the Evidence of Necessity minimum volume requirements at the time of initial application and biannually thereafter, through a recertification process. Evidence of Necessity requires that a facility operate at a minimum volume of 1200 surgical cases or 1600 hours per operating room per year<sup>Ⓢ</sup>.

## Participation Process

A nonparticipating facility may apply for formal participation at any time. A two step application process begins by demonstrating compliance with BCBSM's Evidence of Need followed by a separate submission to demonstrate compliance with all other qualification standards. Initially, a facility must submit a completed BCBSM Evidence of Need Attestation reporting its volumes and operating rooms. Upon receiving confirmation that it meets EON standards, a facility must submit a separate application to demonstrate compliance with all other BCBSM qualification standards.

In the EON attestation, facilities that have been operational for one year will be required to submit their most recent twelve months of volume. Applicant facilities that have been operational for less than one year will be allowed to submit their most recent six months volume. The data will then be annualized.

Volume attestations must be signed by the facility owners or officers. The reports must clearly identify the type of room in which cases were performed (i.e., a licensed operating room on a sterile corridor, a dedicated endoscopy/cystoscopy room, or some other non-operating room). Procedures performed in a room not designated as an operating room on the corresponding Michigan Department of Community Health's Annual Hospital Statistical Survey will not be counted as part of the facility's overall volume.

Although the minimum volume a facility must meet is 1200 surgical cases or 1600 hours per operating room per year<sup>Ⓢ</sup>, this standard is adjusted for non-participating facilities to reflect that they have not had access to BCBSM's market share. The adjustment will be the greater of 25 percent of the minimum volume requirements or BCBSM's market share within the state defined Health Service Area (HSA) in which a facility is located. BCBSM market share is determined by comparing overall hospital outpatient charges in the (HSA) to BCBSM hospital outpatient charges, using the most recent available data.

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<sup>Ⓢ</sup> BCBSM's definition of a "surgical case" and "hours of use" will be the same as that used by the Michigan Department of Community Health. The MDCH currently defines a case as a single visit to an operating room during which one or more surgical procedures are performed. "Hours of use" is defined as the actual time an operating room is used to provide surgical services and excludes set-up and clean-up time.

Facilities that provided services to BCBSM members during the period for which they are submitting volume information may not include those cases where BCBSM is the primary payor if they wish to qualify for the BCBSM market share adjustment. If the patient has another carrier or has Medicare as the primary insurer, the case may be included in the volume total even if BCBSM is the secondary or supplemental insurer.

BCBSM will send facilities notification of their EON status within 30 days of receiving their EON Attestation. Facilities meeting the EON standards will be informed that an application should be submitted, if the facility has not already done so, which demonstrates conformance to all other BCBSM qualification standards. The review will commence with the receipt of a completed application and a letter will be sent to the facility within 60 days stating their participation status. Facilities that do not meet the EON standards or the qualification standards will have review of their applications suspended with a letter explaining why the application was suspended.

## **Recertification Process**

Ambulatory surgery facilities that have been participating with BCBSM for more than 12 months are required to be recertified. Beginning in the year 2003 and every other year thereafter, a facility must submit to BCBSM, by January 31<sup>st</sup>, their volume attestations reflecting at least one full calendar year of operations. A facility that does not meet the standard or does not submit its volume attestations will be sent notification by March 1 of each recertification year that it will lose its participation status on May 1 of that same year.

Upon recertification, all participating facilities will fall within one of the following categories:

<b>Category</b>	<b>Result</b>
<ul style="list-style-type: none"> <li>Meets the full volume requirement (1200 cases or 1600 hours per room per year) for at least one of the two calendar years between recertification periods.</li> </ul>	<ul style="list-style-type: none"> <li>Maintains participation status until the next recertification period.</li> </ul>
<ul style="list-style-type: none"> <li>Meets 90 percent of the volume requirement (1080 cases or 1440 hours per room per year) for at least one of the two calendar years between recertification periods.</li> </ul>	<ul style="list-style-type: none"> <li>Conditional participation extension – must meet full volume requirement in at least one of the two calendar years before the next recertification period.</li> </ul>
<ul style="list-style-type: none"> <li>Does not meet at least 90 percent of the volume requirement in either of the calendar years between recertification.</li> </ul>	<ul style="list-style-type: none"> <li>Loses participation status on May 1 of the recertification year.</li> </ul>

## **Evidence of Necessity Transition Period**

A six month transition period is in effect, beginning with this plan's acceptance by the OFIS, for currently participating facilities that meet all standards except for the EON volume requirement. These facilities will have six months from the acceptance of this provider class plan to submit to BCBSM their surgical case or hour volume attestations for the most recent six months. The data will be annualized to determine whether it meets the required minimums for participating facilities.

Within 30 days of receiving a facility's attestation, BCBSM will send a letter to the facility indicating its participation status. Facilities that meet the minimum requirements of 1200 surgical cases or 1600 hours per operating room per year<sup>Ⓢ</sup>, as well as all other participation requirements, will maintain their participation status. Facilities that do not meet the full volume requirements of 1200 surgical cases or 1600 hours per operating room per year<sup>Ⓢ</sup> will lose their participation status with 60 days notice.

During the extended transition period, new (applicant) facilities will also be allowed to qualify for participation based on their most recent six-months' volume. At the end of the extended transition period, applicant facilities that have been operational for more than one year must qualify based on a full year's volume.

#### ◆ **De-licensure of Operating Rooms**

A participating or nonparticipating facility that intends to de-license one or more operating rooms to meet the EON volume requirements must notify BCBSM of this intent at the time of its initial application and volume submission. BCBSM will conditionally approve a facility for participation or recertification if: (1) the facility meets all qualification standards except the volume requirements at the time of application; and, (2) the de-licensing of rooms will result in the facility meeting the volume requirements. A facility must submit appropriate documentation that a room has been de-licensed within 60 days of BCBSM's conditional approval or the conditional approval will expire and no participation agreement will be in effect.

#### ◆ **Operating Room Exchanges**

The trading of operating rooms for Evidence of Necessity purposes, in which a hospital closes one or more of its operating rooms in exchange for approval of an ambulatory surgery facility operating room, will not be allowed.

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<sup>Ⓢ</sup> BCBSM's definition of a "surgical case" and "hours of use" will be the same as that used by the Michigan Department of Community Health. The MDCH currently defines a case as a single visit to an operating room during which one or more surgical procedures are performed. "Hours of use" is defined as the actual time an operating room is used to provide surgical services and excludes set-up and clean-up time.

## **Termination of Contract**

Participation shall be terminated by BCBSM with 60 days notice if an ambulatory surgery facility fails to meet minimum volume standards. A designated single-specialty facility that submits claims for services outside of its designated specialty will have its participation agreement terminated with 60 days notice. An ASF that fails to meet any other qualification standard established by BCBSM, and described in Addendum A of the Ambulatory Surgery Facility Participation Agreement, will have its participation agreement terminated with 60 days notice. Any facility found to knowingly submit false volume information will have its participation agreement immediately terminated.

Termination of the participating agreement may also occur by either BCBSM or the facility under the terms and conditions specified in Article V of the Ambulatory Surgery Facilities Participation Agreement.

## **Provider Programs**

BCBSM strives to ensure the appropriateness and quality of the services delivered to subscribers through a combination of communication, education, and quality assurance programs that oversee and support health care providers.

## **Utilization Management Initiatives**

BCBSM requires that ambulatory surgery facilities develop and implement their own program evaluation, utilization management and peer review programs. These programs must:

- Assess the quality of care provided to patients to ensure that proper services are provided at the proper time by qualified individuals
- Identify, refer, report and follow up on quality of care issues and problems
- Monitor all aspects of patient care delivery

The utilization management and peer review plan must be written and must identify purposes, goals, mechanisms and personnel responsible for all aspects of the plan including:

- Quality, content and completeness of the medical records
- Clinical performance
- Quality and appropriateness of diagnostic and treatment procedures
- Evaluation of tissue specimens
- Medication utilization
- Patient satisfaction
- Quality and appropriateness of anesthesia
- Arrangements for patients requiring hospitalization following ambulatory surgery

## **Education/Communications**

- Participating ambulatory surgery facilities routinely receive the *Hospital & Facility News*.
- BCBSM's regional field services representatives visit ambulatory surgery facilities on-site for individualized provider education, and provide on-going assistance to facility staff.
- BCBSM meets twice annually with the ambulatory surgery facility liaison committee.
- BCBSM maintains and updates as necessary, the *Guide for Participating Ambulatory Surgery Facilities*.
- Provider participation information is available on the BCBSM corporate web page or the Provider Inquiry and Customer Service Inquiry toll-free hotlines.

## **Performance Monitoring**

- Ambulatory surgery facilities are biannually recertified to ensure compliance with Evidence of Necessity standards. Applications and volume attestations are submitted by January 31<sup>st</sup> of each year.
- Ambulatory surgery facilities are periodically surveyed to ensure they maintain up-to-date compliance with licensing requirements and all other qualification standards.
- Suspected fraudulent activity, reported to BCBSM by providers, subscribers, and BCBSM staff, is referred to Corporate Financial Investigations for further investigation.
- Utilization review audits, when conducted, work to ensure that providers rendered services appropriately and within the scope of members' benefits.
- BCBSM will develop a satisfaction survey to assess member perceptions of the care provided at participating ambulatory surgery facilities.

## **Reimbursement Policies**

BCBSM reimburses participating ambulatory surgical facilities for covered services deemed medically necessary by BCBSM. Determination of medical necessity is described in the attached Ambulatory Surgery Facility Participation Agreement.

## **Covered Services**

Reimbursement for covered services provided in an ambulatory surgery facility covers services directly related to the surgical procedure, including the following items:

- Use of the ambulatory surgery facility including operating, recovery, or other treatment rooms, pre-operative areas, patient preparation areas, post-operative areas used by the patient or offered for use to the patient's relatives in connection with surgical procedures
- Nursing and technical services
- EKGs
- Drugs, biologicals, surgical dressings, supplies, splints, casts, implant prosthetics, and equipment directly related to the provision of the surgical procedure

- Materials for anesthesia
- Routine laboratory services performed on the day of the surgery, radiology services performed with equipment owned or operated by the facility
- Administrative, record keeping and housekeeping items and services

## **Reimbursement Methods**

Payment for outpatient surgical procedures is based on one of the following three reimbursement methods:

- Price-based payment for ambulatory surgical procedures which are not commonly performed in physicians' offices, as determined by BCBSM, is based on a conversion of billed charges to costs, and a BCBSM determined surgical pricing formula.
- Statewide percentage of charges payment for procedures which are not commonly performed in physicians' offices, as determined by BCBSM, and for which BCBSM has insufficient utilization data to establish a reasonable price, is based on the approved charge multiplied by the statewide percentage of charges as determined by BCBSM.
- Nominal price-based payment for surgical procedures predominantly performed in physicians' offices, as determined by BCBSM, is based on 50 percent of the physician practice expense of the BCBSM physician fee for each procedure.

Payment for laboratory and radiology procedures is a price-based system using the technical component of the BCBSM physician fee for each procedure.

Payment for EKGs is based on a statewide percentage of charge payments.

## **Hold Harmless Provisions**

Participating ambulatory surgery facilities agree to accept BCBSM's payment as payment in full for covered services. Member copayments and/or deductibles are subtracted from BCBSM's payment before the facility is reimbursed. Participating facilities hold members harmless from:

- Balance billing, unless the services rendered are not covered services
- Medically unnecessary services, as determined by BCBSM, unless the member acknowledges that BCBSM will not pay for the services and agrees in writing before the services are rendered to assume liability
- Financial obligation for covered services provided but not billed to BCBSM within 12 months under the circumstances specified in the Ambulatory Surgery Facility Participation Agreement

## **Appeals Process**

Participating facilities have the right to appeal BCBSM decisions regarding individual claims disputes and utilization review audit determinations. The complete process is described in Addendum C of the Ambulatory Surgery Facility Participation Agreement.

**AMBULATORY SURGERY FACILITIES PARTICIPATION  
AGREEMENT (Attached)**



**BLUE CROSS BLUE SHIELD OF MICHIGAN  
AMBULATORY SURGERY FACILITY  
PARTICIPATION AGREEMENT**

This Agreement is made by and between Blue Cross Blue Shield of Michigan (BCBSM) and \_\_\_\_\_, (Facility), an Ambulatory Surgery Facility, whose address is \_\_\_\_\_.

**ARTICLE I  
DEFINITIONS**

- 1.1 **“Agreement”** means this Agreement, all exhibits, and addenda attached hereto, or other documents expressly incorporated herein.
- 1.2 **“Ambulatory Surgery Facility” or “ASF”** means a facility that provides outpatient ambulatory surgery Covered Services and that meets all the Qualifications Standards stated in Addendum A.
- 1.3 **“Approved Site”** means the Ambulatory Surgery Facility location specifically approved and contracted by BCBSM.
- 1.4 **“Certificate”** means benefit plan descriptions under the sponsorship of BCBSM or other Blue Cross and Blue Shield (BCBS) Plans, or certificates and riders issued by or under their sponsorship, or arrangements with any employer group, including any self-funded plan, where BCBSM or other BCBS Plans administer benefits; and, unless the subject of a separate agreement with Facility, any Preferred Provider Organizations (PPOs) or other alternative delivery system owned, controlled, administered or operated in whole or part by BCBSM, excluding BCBSM's subsidiaries, or by other BCBS Plans.
- 1.5 **“Covered Services”** means those ambulatory surgery facility services that are (i) listed or provided for in Certificates, and (ii) provided at an Approved Site.
- 1.6 **“Medically Necessary”** means a determination by Physicians acting for BCBSM that a Covered Service meets all of the following conditions: (i) it is rendered for the treatment, diagnosis or symptoms of an injury, condition or disease; (ii) the care, treatment or supply is appropriate given the symptoms, and is consistent with the diagnosis, "Appropriate" means that the type, level, and length of care, treatment or supply and setting are needed to provide safe and adequate care and treatment; (iii) it is not mainly for the convenience of the Member or of the Member's health care provider; (iv) it is not treatment that is generally regarded as experimental or investigational by BCBSM; and (v) it is not determined to be medically inappropriate.
- 1.7 **“Member”** means a person entitled to receive Covered Services pursuant to Certificates.
- 1.8 **“Noncovered Services”** means those services that are not Covered Services.
- 1.9 **“Qualification Standards”** means those criteria established by BCBSM that are used to determine Facility's eligibility to become or remain a participating Ambulatory Surgery Facility as set forth Addendum A.

- 1.10 **“Physician”**, for the limited purposes of this Agreement, means a medical doctor (MD), a doctor of osteopathy (DO), or doctor of podiatry (DPM), licensed in Michigan.
- 1.11 **“Reimbursement Methodology”** means the methodology by which BCBSM determines the amount of payment due Facility for Covered Services as set forth in Addendum B.

## **ARTICLE II FACILITY RESPONSIBILITIES**

- 2.1 **Services to Members.** Facility, within the limitations of its licensed scope of services, will provide Covered Services to Members based on requirements in Members’ Certificates and as governed by the terms and conditions of this Agreement and all other BCBSM policies in effect on the date Covered Services are provided.
- 2.2 **Qualification Standards.** Facility will comply with the Qualification Standards established by BCBSM and further agrees that BCBSM has sole discretion to amend and modify these Qualification Standards from time to time, provided BCBSM will not implement any changes in the Qualification Standards without 60 days prior written notice to Facility. Upon request, Facility will submit to BCBSM evidence of continuing compliance with all Qualification Standards. Notice of changes to Qualification Standards may be given as stated in Section 5.12, or, at BCBSM’s option, by publication in the appropriate BCBSM provider publication(s) (e.g., *The Hospital & Facility News*). Such publication shall constitute notice to Facility. The current Qualification Standards are set forth in Addendum A.
- 2.3 **Listing of Facilities.** Facility agrees that BCBSM shall have the right to include Facility’s name, address and location in listings or other written documents provided for assisting Members to obtain Covered Services from a participating Ambulatory Surgery Facility.
- 2.4 **Claims Submission.** Facility will submit acceptable claims for Covered Services directly to BCBSM using BCBSM approved claim forms, direct data entry systems, tape-to-tape systems or such other methods as BCBSM may approve from time to time. An “acceptable claim” is one that complies with the requirements as stated in appropriately published BCBSM administrative manuals or additional published guidelines or criteria.
- Acceptable claims for Covered Services shall be submitted within 12 months of the date of service. Claims submitted more than 12 months following the date of service, shall not be entitled to reimbursement except as set forth in Addendum F. Facility will endeavor to file complete and accurate claims and report overpayments in accordance with the Service Reporting and Claims Overpayment Policy attached as Addendum E.
- 2.5 **BCBSM Payment.** Facility will only look to BCBSM for reimbursement for Covered Services and will request reimbursement from Members only for applicable deductibles and copayments for Covered Services, or for services it furnishes that are not Covered Services. Facility agrees not to collect any further payment, except as provided in Addendum F. Facility may not request or require Members to sign an agreement or form to reimburse Facility for any charges in excess of BCBSM’s reimbursement for Covered Services, unless otherwise stated in this Agreement. Facility may not collect deposits from Members for Covered Services. Facility may not waive copayments and/or deductibles that are the responsibility of the Member, except for hardship cases that are documented in the Member’s record or where reasonable efforts to collect have failed.

- 2.6 **Utilization and Quality Programs.** Facility will adhere to BCBSM's published policies, procedures, and requirements regarding utilization review, quality assessment, quality improvement, patient satisfaction surveys, preauthorization, case management, disease management, or other programs established or modified by BCBSM. BCBSM agrees to furnish Facility with information necessary to adhere to such programs, policies and procedures.
- 2.7 **BCBSM Access to Records.** BCBSM represents that Members, by contract, as a condition precedent to receiving benefits, agree to the release of information and records to BCBSM from Facility and Physicians, including but not limited to, all medical and other information relating to their care and treatment. Facility shall obtain any further releases or waivers it believes are necessary for the purpose of providing to BCBSM Member medical and billing records related to Covered Services. Facility will release patient information and records within 30 days of BCBSM's request to enable BCBSM to process claims, to verify compliance with BCBSM's Qualification Standards, and for prepayment or postpayment review of medical records that relate to filed claims.
- 2.8 **Confidentiality.** Facility will maintain the confidentiality of the medical records and related information of Members as required in this Agreement and in accordance with applicable state and federal law.
- 2.9 **Approved Site.** Facility's Approved Site must be specifically approved by BCBSM. Facility's Approved Site is listed in the Signature Document to this Agreement.
- 2.10 **Records and Record Retention.** Facility will prepare and maintain all appropriate medical and financial records related to Covered Services provided to Members as required by BCBSM published policies and procedures and as required by law.
- 2.11 **Audits and Recovery.** Subject to all applicable laws and the confidentiality provisions set forth in this Agreement, Facility agrees that:
- a.) Medical Record and Billing Reviews. BCBSM may photocopy, review and audit Facility's records to determine program compliance. Such audits include, but are not limited to, verification of services provided, adherence to BCBSM's published policies, Medical Necessity of services provided, and appropriateness of revenue/procedure codes reported to BCBSM. BCBSM is entitled to obtain recoveries based on such audits as set forth in Addendum G.
- b.) Financial Audits. Facility will allow BCBSM to conduct reasonable audits of Facility's financial records. Facility will provide BCBSM with on-site access during Facility's regular business hours to financial records as may be necessary for validating Facility's compliance with Qualification Standards, or for establishing or validating appropriate reimbursement under this Agreement.
- 2.12 **Facility Changes.** Facility will notify BCBSM, in writing, at least 30 days prior to implementation of major changes, such as, but not limited to, changes in: (i) name; (ii) location; or (iii) ownership. Facility will also notify BCBSM within five business days of Facility's knowledge of any material changes in Facility's professional and administrative staffing; reduction or expansion of surgical services provided if relevant to BCBSM's determination of Facility's categorization as a single-specialty or multi-specialty ASF as described in Addendum A; any reduction or expansion of the number of Facility's operating rooms; licensure; accreditation; or, Medicare certification. Such prior notification of changes is required so that BCBSM may determine Facility's continued compliance with Qualification Standards and contractual obligations. Prior notification of

major program or administrative changes, such as changes in location and ownership, does not ensure continued Facility approval by BCBSM. Ownership and location changes, as well as other major changes, require specific BCBSM approval for continued participation by Facility.

Facility will also notify BCBSM of any actions, policies, determinations, or internal or external developments that may have a direct impact on the provision of Covered Services to Members. Such notification includes, but is not limited to, any legal or government action initiated against the Facility, or any of its owners, officers, directors or employees that affects this Agreement, including but not limited to any action for professional negligence, fraud, violation of any law, or against any health care license.

- 2.13 **Successor's Obligations.** Facility will require any prospective successor to its interest to assume liability for any amounts for which Facility is indebted to BCBSM, whether evidenced by a promissory note or otherwise. Such assumption of liability shall be one of the conditions for BCBSM approval of any successor in interest as a participating Facility. Such assumption of liability shall not release Facility from the indebtedness unless an agreement to that effect is entered into between BCBSM, the Facility, and any prospective successor, or the successor is a participating Facility and expressly agrees to assume Facility's liabilities to BCBSM.
- 2.14 **State and Federal Laws.** Facility will provide Covered Services in a manner which conforms to (i) all applicable federal, state and local laws, rules and regulations, and (ii) the standards of professional conduct and practice prevailing in the applicable community during this Agreement.
- 2.15 **Subcontracting.** Facility must have a written contract with all subcontracted staff. Facility is responsible for ensuring that the subcontracted staff (i) is qualified to perform the service they are subcontracted to perform, (ii) meets and maintains any relevant Qualification Standards, and (iii) adheres to BCBSM's published policies and procedures. Facility remains responsible for the acts or omissions of its subcontracted staff. Facility will furnish a copy of such subcontract to BCBSM upon request.
- 2.16 **Approved Site.** Facility's Approved Site is listed in the Signature Document.
- 2.17 **Transfer of Services by BCBSM.** Facility understands that BCBSM administers and underwrites business, parts of which may be conducted through third party administration and managed services, and may conduct business through representatives and agents. Facility agrees to the transfer of the rights, obligations and duties of the parties to this Agreement to those representatives and agents for the limited purpose of performing their respective agreements with BCBSM.

### **ARTICLE III BCBSM RESPONSIBILITIES**

- 3.1 **General.** BCBSM's payment obligations pursuant to this Agreement will be limited to Covered Services provided by Facility in accordance with the terms and conditions contained herein.
- 3.2 **Member Identification.** BCBSM shall provide Members with identification cards and with written information necessary to inform Members of the procedures for obtaining Covered Services from Facility and of their obligations for copayments, deductibles and Noncovered Services.

- 3.3 **Eligibility and Benefit Verification.** BCBSM will provide Facility with a system and/or method to promptly verify eligibility and benefit coverages of Members; provided that any such verification by BCBSM will be given as a service and not as a guarantee of payment.
- 3.4 **Claims Processing.** BCBSM will process claims submitted by Facility for Covered Services provided to Members in a timely fashion and in accordance with the terms and conditions contained in this Agreement.
- 3.5 **BCBSM Reimbursement.** Pursuant to the terms and conditions contained in this Agreement, BCBSM will make direct payment to Facility for Covered Services provided to Members according to the Reimbursement Methodology set forth in Addendum B and as in effect on the dates Covered Services are provided. Reimbursement under this Agreement will not include any amount for professional services but will be limited to facility services, nor will reimbursement include any amounts not properly payable under any coordination of benefits provisions or where another party is liable, in which case BCBSM payment will be the amount BCBSM would have normally paid for such Covered Services less any amount received by Facility from another party.
- 3.6 **Administrative Manuals and Bulletins.** BCBSM will provide, at no charge to Facility, one copy of administrative manuals, bulletins and such other information and documentation as shall be necessary for Facility to properly provide and be reimbursed for Covered Services provided to Members pursuant to this Agreement.
- 3.7 **Audits and Recovery.** Audits will be conducted and recoveries obtained in accordance with Section 2.11 and Addendum G of this Agreement.
- 3.8 **Appeal Processes.** BCBSM will provide an appeal process for Facility in accordance with Addendum C, if Facility disagrees with any claim adjudication or utilization review audit determination.
- 3.9 **Confidentiality.** BCBSM shall maintain the confidentiality of Members' records and Facility financial information of a confidential or sensitive nature in accordance with BCBSM's Confidentiality Policy in Addendum D. BCBSM will indemnify and hold Facility harmless from any claims or litigation brought by Members asserting any breach of such Confidentiality Policy. This provision will not preclude BCBSM from communicating with its subsidiaries and/or agents regarding Facility information and data, or from communicating with customers regarding aggregate data pertaining to Facility and participating Ambulatory Surgery Facilities.

#### **ARTICLE IV FACILITY ACKNOWLEDGMENT OF BCBSM SERVICE MARK LICENSEE STATUS**

- 4.1 This contract is between Facility and BCBSM, an independent corporation licensed by the Blue Cross and Blue Shield Association to use the Blue Cross and Blue Shield names and service marks in Michigan. However, BCBSM is not an agent of BCBSA and, by accepting this Agreement, Facility agrees that it made this Agreement based only on what it was told by BCBSM or its agents. Only BCBSM has an obligation to Facility under this Agreement and no other obligations are created or implied by this language.

#### **ARTICLE V GENERAL PROVISIONS**

- 5.1 **Term.** The term of this Agreement shall begin on the later of February 1, 2002 or the effective date indicated on the Signature Document and shall continue until terminated as provided herein below.
- 5.2 **Termination.** This Agreement may be terminated as follows:
- a. by either party, with or without cause, upon 60 days written notice to the other party;
  - b. by either party, immediately, where there is a material breach of this Agreement by Facility that is not cured within 30 business days of written notice to the other party;
  - c. by BCBSM, automatically and without notice, if Facility has its license or accreditation suspended, revoked, or nullified or if Facility or an officer, director, owner or principal of the Facility is convicted of or pleads to a felony or other violation of law;
  - d. by BCBSM, with 60 days notice, except as otherwise stated in Article V. Section 5.2c, if Facility fails to meet the Qualification Standards set forth in Addendum A.
  - e. by BCBSM, immediately, if Facility knowingly submits false volume data for the purposes of BCBSM's Evidence of Necessity determination;
  - f. by either party, upon the filing of any involuntary or voluntary proceeding in bankruptcy against either party, insolvency of any party, upon the appointment of a receiver of any party, or any other similar proceeding if such proceedings are not dismissed or withdrawn within 60 days;
  - g. by either party, immediately, if Facility ceases providing ambulatory surgery services, ceases providing ambulatory surgery services to Members, or ceases doing business;
  - h. by BCBSM, immediately, at its option, if there is a change in the ownership of Facility; or
  - i. by BCBSM if termination of this Agreement is ordered by the state Insurance Commissioner.
- 5.3 **Existing Obligations.** Termination of this Agreement shall not in any way affect the obligations of the Parties under this Agreement prior to the date of termination. Such obligations shall include, but are not limited to, completion of all medical records and cooperation with BCBSM with respect to any actions arising out of relationships created by this Agreement filed against BCBSM after the effective date of termination. This Agreement shall remain in effect for the resolution of all matters pending on the date of termination. Upon termination of this Agreement, BCBSM's obligation to reimburse Facility for any Covered Services will be limited to those provided through the date of termination.
- 5.4 **Right of Recovery.** The expiration or termination of this Agreement or any changes as provided in this Agreement shall not terminate or otherwise limit BCBSM's right of recovery from Facility for overpayments or for recoveries based upon any audit conducted pursuant to the terms of this Agreement. Such rights of BCBSM shall survive the termination of this Agreement.

- 5.5 **Nondiscrimination.** Facility will not discriminate because of age, sex, race, religion, color, marital status, residence, lawful occupation or national origin, in any area of Facility's operations, including but not limited to employment, patient registration and care, and clinical staff training and selection. Any violation of this provision by Facility shall constitute a material breach and give BCBSM the right to immediately terminate this Agreement as provided in Article V. Section 5.2b. of this Agreement.
- 5.6 **Relationship of Parties.** BCBSM and Facility are independent entities. Nothing in the Agreement shall be construed or be deemed to create a relationship of employer and employee, or principal and agent, or any relationship other than that of independent parties contracting with each other for the sole purpose of carrying out the provisions of this Agreement.
- 5.7 **Assignment.** Any assignment of this Agreement by either party without the prior written consent of the other party will be null and void, except as stated in Article II. Section 2.17 of this Agreement.
- 5.8 **Amendment.** This Agreement may be altered, amended, or modified at any time by the prior written consent of the parties, provided however, that BCBSM shall have the right to unilaterally amend this Agreement upon giving 90 days prior written notice to Facility, or such lesser advance notice as may be otherwise provided in this Agreement. Notice shall be given as provided in Article V. Section 5.12 of this Agreement, or, at BCBSM's option, by publication in the appropriate BCBSM provider publication(s) (e.g., *The Hospital & Facility News*). Such publication shall constitute notice to Facility.
- 5.9 **Waiver.** No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the appropriate representatives of BCBSM or the Facility, against whom such a waiver is being sought. Any waiver of one or more of the provisions of this Agreement or failure to enforce the Agreement by either of the parties hereto shall not be construed as a waiver of any subsequent breach of the Agreement or any of its provisions.
- 5.10 **Scope and Effect.** This Agreement along with any attachments shall supersede any and all present or prior agreements and understandings between the parties regarding the subject matter hereof, whether written or oral, shall constitute the entire agreement and understanding between the parties and be binding upon their respective successors and assignees.
- 5.11 **Severability.** If any provision of this Agreement is deemed or rendered invalid or unenforceable by any state or federal law, rule, regulation or decision of any court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect; provided, however, should any such invalidity or unenforceability and its removal has the effect of materially changing the obligations of either party, as in the judgment of the party affected, (i) will cause it serious financial hardship, or (ii) cause it to be in violation of its corporate Articles of Incorporation or Bylaws, such party shall have the right to terminate this Agreement upon 30 days prior written notice to the other party.
- 5.12 **Notices.** Any notice required or permitted under this Agreement shall be given in writing and sent to the other party by hand delivery, or postage prepaid regular mail at the following address or such other address as a party may designate from time to time.

If to BCBSM:

If to Facility:

Provider Contracting - B715  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, Michigan 48226-2998

Address indicated on BCBSM Provider File

- 5.13 **Third Party Rights.** This Agreement is intended solely for the benefit of the parties and confers no rights of any kind on any third party and may not be enforced except by the parties hereto.
- 5.14 **Other Agreements.** BCBSM and Facility acknowledge that this Agreement does not limit either party from entering into similar agreements with other parties.
- 5.15 **Governing Law.** This Agreement will be governed and construed according to the laws of the state of Michigan. Jurisdiction of any dispute will be Michigan.

**SIGNATURE DOCUMENT ATTACHED AND MADE A PART HEREOF.**



## **ADDENDA**

- A. Qualifications Standards
- B. Reimbursement Methodology
- C. Disputes and Appeals
- D Confidentiality Policy
- E. Service Reporting and Claims Overpayment Policy
- F. Services for Which Facility May Bill Members
- G. Audit and Recovery Policy

## QUALIFICATION STANDARDS

To qualify as a participating BCBSM Ambulatory Surgery Facility, Facility must meet, and continue to meet the following requirements:

1. Physical Structure and Services. Facility must be a structure, other than the office of a physician, dentist, podiatrist or other private practice office, offering ambulatory surgery and related care that does not require inpatient hospital care.
2. Licensure. Facility must be licensed by the state of Michigan as a Freestanding Surgical Outpatient Facility (FSOF), and meet any requirements of applicable federal law.
3. Accreditation. Facility must be accredited under the appropriate program (i.e., ambulatory health care) by at least one national accreditation organization approved by BCBSM, such as, but not limited to:
  - Joint Commission on Accreditation of Healthcare Organizations (JCAHO),
  - American Osteopathic Association (AOA), or
  - Accreditation Association for Ambulatory Health Care (AAAH).
4. Medicare Certification. Facility must be certified by Medicare as an Ambulatory Surgery Center, or determined by Medicare to be an extension or part of a Medicare certified hospital.
5. Evidence of Necessity (EON). Facility meets BCBSM's Evidence of Necessity (EON) requirement at the time of initial application, and biennially thereafter through a recertification process. EON requires that Facility operates at a minimum volume of 1200 surgical cases or 1600 hours of use, per operating room per year.

The term "volume(s)", as used in this Agreement, refers to the number of Facility's surgical cases or hours of use, per operating room per year. For BCBSM's purposes, the definition of a "surgical case" and "hours of use" will be the same as that used by the Michigan Department of Community Health (MDCH). Per the MDCH, a "surgical case" is a single visit to an operating room during which one or more surgical procedures are performed. Per the MDCH, "hours of use" means the actual time in hours, and parts thereof, an operating room is used to provide surgical services. It is the time from when a patient enters an operating room until that same patient leaves that same operating room. It excludes any pre-operative or post-operative room set-up or clean-up preparations, or any time a patient spends in pre-operative or post-operative areas including a recovery room.

All ASFs, including ASFs that have more than the minimum number of required operating rooms (as stated in item #10 of this Addendum), must meet the applicable volume minimums. Facility's volumes will be determined by BCBSM via volume attestation reports submitted to BCBSM by Facility. Volume reports must be signed by Facility's owners or officers and clearly identify the type of room in which cases were performed. Procedures performed in a room that is not designated as an operating room on the MDCH's *Annual Hospital Statistical Survey* will not be counted as part of Facility's overall volume. Such submitted volume reports may be audited by BCBSM, at BCBSM's option. If it is determined by BCBSM that Facility knowingly submitted false information in its

attestation volume report, Facility's Agreement will be terminated immediately in accordance with Article V. Section 5.2.e. of this Agreement.

A. Participating ASFs - Recertification Process

ASFs that have been participating with BCBSM for more than 12 months are required to be recertified biennially. Beginning in the year 2003 and every other year thereafter, Facility must submit to BCBSM, by January 31<sup>st</sup>, its volume attestation reflecting that Facility meets the volume requirement in at least one of the two calendar years between recertification periods. If the Facility meets the volume requirements and all other Qualification Standards, it maintains its participation status until the next recertification period.

If, during such recertification process, Facility meets all Qualification Standards *except* the volume requirement, the following will occur:

1. If Facility meets 90% of the minimum volume requirement (i.e., has a minimum of 1080 surgical cases, or 1440 hours, per operating room for at least one of the two calendar years between recertification periods), Facility will be granted a conditional participation extension. If Facility fails to meet the full volume requirement in at least one of the two calendar years before the next recertification period, Facility will be notified by March 1<sup>st</sup> of the recertification year that its Agreement will be terminated on May 1<sup>st</sup> of that same year.
2. If Facility does not meet at least 90% of the volume requirement (i.e., has less than 1080 surgical cases or 1440 hours, per operating room) for at least one of the two calendar years between recertification periods, Facility will be notified by March 1<sup>st</sup> of the recertification year that its Agreement will be terminated on May 1<sup>st</sup> of that same year.
3. If Facility does not submit the necessary volume attestation to BCBSM by January 31<sup>st</sup> of the applicable recertification year, Facility will be notified by March 1<sup>st</sup> of the recertification year that its Agreement will be terminated on May 1<sup>st</sup> of that same year in accordance with Article V. Section 5.2.a. of this Agreement.

B. Delicensure of Operating Rooms

If Facility notifies BCBSM of its intention to delicense one or more operating rooms at the time of initial application, or by January 31<sup>st</sup> of the applicable recertification year, and such delicensing will result in Facility meeting the minimum volume requirement, BCBSM will grant conditional EON approval for 60 days. For the conditional status to be removed and participation continued, Facility must; (i) submit appropriate documentation to BCBSM that the operating room or rooms have been delicensed within 60 days of BCBSM's conditional approval, (ii) meet the volume requirement based on the remaining number of actively licensed operating rooms, and (iii) continue to meet all other Qualification Standards (including the applicable operating room minimum). If all of these requirements are not met, Facility's Agreement will be terminated at the end of the 60 day conditional approval period.

C. Six Month Transition Period

For participating facilities that meet all Qualification Standards *except* the EON requirement, there will be a six month period of transition to the EON volume requirement beginning February 1, 2002. From this date, participating ASFs will have

up to six months to submit to BCBSM their surgical case or hours of use volume attestations for the most recent six month period. The data will then be "annualized" to determine whether it meets the required volume minimums for participating facilities.

Within 30 days of receiving Facility's volume attestation, BCBSM will notify Facility of its eligibility for continued participation status as indicated below:

1. If Facility meets the minimum volume requirement (i.e., has at least 1200 surgical cases or 1600 hours) as well as all other Qualification Standards, Facility will maintain its participation status.
  2. If Facility does not meet the minimum volume requirement (i.e., has less than 1200 surgical cases or 1600 hours), its Agreement will be terminated with 60 days notice in accordance with Article V. Section 5.2.d. of this Agreement.
  3. If Facility does not submit the necessary volume attestation by the due date specified by BCBSM, its Agreement will be terminated with 60 days notice in accordance with Article V. Section 5.2.a. of this Agreement.
6. Patient Care. Facility's patients must be under the care of a licensed Physician. A Physician should be available on-site at all times when a patient is on Facility's premises. Facility should make provisions for patient care services that are appropriate to the needs of the patients and the community it serves.
7. Medical Staff. Facility must have an organized medical staff, established in accordance with policies and procedures developed by Facility, which shall be responsible for maintaining proper standards of medical care.
- Membership on the medical staff shall be available to qualified Physicians in the community. Criteria for membership on the medical staff will be established and enforced by a credentials evaluation program established by Facility.
8. Relationship with Hospitals. Facility must have a written agreement with at least one acute care general hospital within reasonable travel time, as determined by BCBSM, to facilitate prompt transfer of patients requiring hospital care. The written agreements with hospitals shall provide that copies of Facility's medical records shall be transmitted to the hospital to which the patient is transferred.
9. Utilization Management and Peer Review. Facility must demonstrate that it conducts program evaluation, utilization review and peer review to assess the appropriateness, adequacy and effectiveness of the program's administrative and clinical components applicable to all patient services in accordance with the requirements of BCBSM and the appropriate accrediting and regulatory agencies.

The utilization management and peer review program will:

- Assess the quality of care rendered to patients to assure that proper services are provided at the proper time by qualified individuals
- Identify, refer, report and follow up on quality of care issues and problems, and
- Monitor all aspects of patient care delivery.

The utilization management and peer review plan must be written and must identify purposes, goals, mechanisms and personnel responsible for all aspects of the plan, including:

- Quality, content and completeness of medical records
- Clinical performance
- Quality and appropriateness of diagnostic and treatment procedures
- Evaluation of tissue specimens
- Medication utilization
- Patient satisfaction
- Quality and appropriateness of anesthesia, and
- Arrangements for patients requiring hospitalization following ambulatory surgery.

10. Operating Rooms. Facility must have a minimum number of operating rooms as specified below. To qualify as an “operating room”, the room must be designated as such by the MDCH in its *Annual Hospital Statistical Survey*. Rooms not designated by MDCH as an operating room (e.g., treatment rooms) will not be included in the minimum. A facility that has more than the minimum number of operating rooms must still meet all Qualification Standards and all EON volume requirements described in Item #5 of this Addendum.

- A. Multi-Specialty Facilities – Multi-specialty facilities located in non-rural counties (per the most recent U.S. Department of Agriculture’s *Urban-Rural Continuum Code* publication available) must have a minimum of three (3) operating rooms. Multi-Specialty Facilities in rural counties must have a minimum of two (2) operating rooms. For the purposes of this Agreement “multi-specialty” means any facility that performs surgery within two or more different body systems. Examples of “body systems” are; integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa, auditory, etc..
- B. Single-Specialty Facilities – Single-specialty facilities located in non-rural counties (per the most recent U.S. Department of Agriculture’s *Urban-Rural Continuum Code* publication available) must have a minimum of two (2) operating rooms. Single-specialty facilities located in rural counties must have a minimum of one (1) operating room. For the purposes of this Agreement “single-specialty” means any facility that performs surgery within only one body system. Examples of “body systems” are; integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa, auditory, etc.

An ASF that wishes to qualify as a single-specialty ASF must attest on its attestation volume report that its services are limited to a specific specialty. If a single-specialty ASF submits claims to BCSM for Covered Services outside of its designated specialty, Facility’s Agreement will be terminated with 60 days notice in accordance with Article V. Section 5.2.a. of this Agreement.

11. Sponsorship, Ownership and Control. Facility must have a governing board that is legally responsible for the total operation of Facility, and for ensuring that quality medical care is provided in a safe environment.
12. Financial Affairs. Facility must conduct its financial affairs in a manner consistent with prudent fiscal management. Records of its transactions shall be maintained in conformity with generally accepted accounting principles, and with BCBSM billing, reporting and reimbursement policies and procedures.

**REIMBURSEMENT METHODOLOGY**

For Covered Services provided under this Agreement, BCBSM will pay Facility the lesser of Facility's charge or the ASF fee that is in effect on the date of service, less any applicable Member copayments or deductibles. ASF fees will be established using the following methodologies:

1. Outpatient Surgical Procedures:
  - a. "Nominal Priced-Based Payment" for procedures commonly performed in physicians' offices, as determined by BCBSM. The payment will be based on 50% of the physician practice expense of the BCBSM physician fee for each procedure.
  - b. "Statewide Percentage of Charges Payment" for procedures that are *not* commonly performed in physicians' offices, as determined by BCBSM, and for which BCBSM has insufficient utilization data to establish a reasonable price. Payment will be the approved charge multiplied by the statewide percentage of charges as determined by BCBSM.
  - c. "Price Based Payment" for procedures that are not commonly performed in physicians' offices, as determined by BCBSM. The Price Based Payment is based on a conversion of billed charges to costs, and a BCBSM determined surgical pricing formula.
2. Laboratory and Radiology Procedures:
  - a. Payments will be price-based using the technical component of the BCBSM physician fee for each procedure.
3. Other Procedures:
  - a. EKGs are reimbursed a "Statewide Percentage of Charge Payment".

BCBSM will review Ambulatory Surgery Facility reimbursement periodically to determine if modifications are necessary. BCBSM does not warrant or guarantee that the review process will result in increased reimbursement.

Notice of revisions to the ASF fees will be provided by BCBSM in advance of the effective date of the revisions. BCBSM will give Facility not less than 60 days prior notice of any material change to the Reimbursement Methodology used for establishing ASF fees.

Any required notice of reimbursement changes may, at BCBSM's option, be published in the appropriate BCBSM publication(s) (e.g., *The Hospital & Facility News*). Such publication shall constitute notice to Facility.

## **ADDENDUM C**

### **APPEALS PROCESS FOR INDIVIDUAL CLAIMS DISPUTES AND UTILIZATION REVIEW AUDIT DETERMINATIONS**

#### **ROUTINE INQUIRY PROCEDURES AND/OR AUDIT DETERMINATION**

Facility must complete BCBSM's routine status inquiry, telephone (optional) and written inquiry procedures (for individual claims disputes), or receive an audit determination before beginning the appeals process.

#### **WRITTEN COMPLAINT / RECONSIDERATION REVIEW**

Within 30 days of completing BCBSM's routine written inquiry procedures, or within 30 days of receiving BCBSM's written audit determination, Facility shall begin the appeals process by submitting a Written Complaint and/or a request for a Reconsideration of the Audit Determination. The Written Complaint/Reconsideration Review request should be mailed to:

For individual claims disputes:

Provider Appeals Unit  
Mail Code 2005  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

For disputes regarding utilization review audit results:

Manager, Facility Utilization Review  
Mail Code J 105  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

A request for a Reconsideration Review must include the following:

- Area of dispute;
- Reason for disagreement;
- Any additional supportive documentation; and
- Copies of medical records (if not previously submitted)

Within 30 days of receipt of the request for Written Complaint/Reconsideration Review, BCBSM shall provide in writing a specific explanation of all of the reasons for its action that form the basis of Facility's complaint and/or the results of the Reconsideration Review.

#### **MANAGERIAL-LEVEL REVIEW CONFERENCE**

If Facility is dissatisfied with the determination of the Written Complaint/ Reconsideration Review, Facility may submit a written request for a Managerial-Level Review Conference

(Conference). The purpose of the Conference is to discuss the dispute in an informal setting, and to explore possible resolution of the dispute. The written request for this Conference must be submitted within 60 days after the receipt of the determination letter from the Written Complaint or Reconsideration Review. If the dispute involves issues of a medical nature, a BCBSM medical consultant may participate in the Conference. If the dispute is non-medical in nature, other appropriate BCBSM personnel will attend. Facility or Facility's representative will normally be in attendance to present its case. The Conference can be held by telephone if Facility prefers. The request for a Conference shall be submitted in writing to BCBSM:

For Conferences regarding individual claims disputes:

Conference Coordination Unit  
Mail Code 2005  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2459

For Conferences regarding utilization review audit results disputes:

Manager, Facility Utilization Review  
Mail Code J105  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2459

A request for a Managerial-Level Review Conference must include the following:

- Area of dispute;
- Reason for disagreement;
- Any additional supportive documentation; and
- Copies of medical records (if not previously submitted)

BCBSM will both schedule the Conference and communicate the results to Facility in writing within 30 days of the request for the Conference. The determination of a Managerial-Level Review Conference delineates the following, as appropriate:

- 1) The proposed resolution;
- 2) The facts, along with supporting documentation, on which the proposed resolution was based.
- 3) The specific section or sections of the law, certificate, contract or other written policy or document on which the proposed resolution is based;
- 4) A statement describing the status of each claim involved in the dispute; and
- 5) If the determination is not in concurrence with Facility's appeal, a statement explaining Facility's right to appeal the matter to the Michigan Insurance Bureau within 120 days after receipt of BCBSM's written response to the Conference, as well as Facility's option to request External Peer Review (Medical Necessity issues only),



request a review by the BCBSM Internal Review Committee/Provider Relations Committee (administrative, billing and coding issues only), or initiate an action in the appropriate state court.

### **EXTERNAL PEER REVIEW**

For disputes involving issues of Medical Necessity that are resultant from medical record reviews, Facility may submit a written request for an External Peer Review if Facility is dissatisfied with the previous level of appeal. Within 30 days of the Managerial-Level Review Conference determination, Facility can request a review by an external peer review organization to review the medical record in dispute. Facility will normally be notified of the determinations made by the review organization within 60 days of submission of the records to the peer review organization. Such determination will be binding upon Facility and BCBSM.

If BCBSM's findings are upheld on appeal, Facility will pay the review costs associated with the appeal. If BCBSM's findings are reversed by the external peer review organization, BCBSM will pay the review costs associated with the appeal. If BCBSM's findings are partially upheld and partially reversed, the parties will share in the review costs associated with the appeal, in proportion to the results as measured in findings upheld or reversed.

This appeal step ends the appeal process for all Medical Necessity issues arising from any medical record review and operates as a waiver of Facility's right to appeal any Medical Necessity issues to the Insurance Bureau or to initiate an action on those issues in a state court.

Facility's request for External Peer Review for a dispute involving medical record audit results shall be mailed to:

Manager, Facility Utilization Review  
Mail Code J105  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

For Individual Claims disputes, a request for External Peer Review shall be mailed to:

Conference Coordination Unit  
Mail Code 2005  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2459

### **INTERNAL REVIEW COMMITTEE**

For disputes involving administrative and/or billing and coding issues, Facility may submit a written request for a review by the BCBSM Internal Review Committee which is composed of three members of BCBSM senior management. The request for an IRC hearing shall specify the reasons why the BCBSM policy in dispute is inappropriate or has been wrongly applied, and shall be submitted in writing within 30 days of receipt of BCBSM's response to the Managerial-Level Review Conference. Within 60 days of the request, a meeting will be held. Facility, or

Facility's representative upon Facility's written request, may be present at this hearing. BCBSM will communicate the determination of the Committee within 30 days of the meeting date.

The request for an IRC hearing should be mailed to:

Director, Utilization Management  
Mail Code J423  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

If Facility is dissatisfied with the determination of the Internal Review Committee, Facility may appeal the determination to either the Provider Relations Committee (a subcommittee of BCBSM's Board of Directors) or directly to the Michigan Insurance Bureau; or initiate an action in an appropriate state court.

### **PROVIDER RELATIONS COMMITTEE**

If dissatisfied with the decision of the IRC, Facility may, within 30 days of receipt of the IRC determination, submit a written request for a review to the Provider Relations Committee, a subcommittee of the BCBSM board of directors composed of BCBSM participating professionals, community leaders, and BCBSM senior management. BCBSM will acknowledge the receipt of the request and will schedule a meeting with the PRC within 90 days. Facility must represent himself or herself at this level of appeal and an advanced position statement is required. The determination of the PRC may or may not be rendered on the day of the hearing. The PRC's mandate is to render a determination within a "reasonable time"; however these decisions will normally be rendered within 30 days of the date of the hearing. As such, BCBSM will communicate in writing the determination of the PRC within 30 days of the PRC's determination.

The request for a PRC hearing should be mailed to:

Director, Utilization Management  
Mail Code J 423  
Blue Cross Blue Shield of Michigan  
600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

If Facility is dissatisfied with the determination of the Provider Relations Committee, Facility may appeal the determination to the Michigan Insurance Bureau, or initiate an action in an appropriate state court.

### **MICHIGAN INSURANCE BUREAU**

#### **Informal Review and Determination**

If Facility is dissatisfied with BCBSM's response to either the Managerial-Level Review Conference, the Internal Review Committee review or the Provider Relations Committee review, and if Facility believes that BCBSM has violated a provision of either Section 402 or 403 of Public

Act 350, Facility shall have the right to submit a request to the Michigan Insurance Bureau for an Informal Review and Determination.

The request shall be submitted within 120 days of receipt of BCBSM's determination and must specify which provisions of Public Act 350 Sections 402(1) and 403 BCBSM has violated. The request shall be mailed to:

Commissioner of Insurance  
Michigan Insurance Bureau  
Post Office Box 30220  
Lansing, Michigan 48909

The Informal Review and Determination may take place through submission of written position papers or through the scheduling of an informal meeting at the offices of the Insurance Bureau. Within 10 days of the receipt of position papers or the adjournment of the informal meeting, the Insurance Bureau shall issue its determination.

### **Contested Case Hearing**

If dissatisfied with the Insurance Bureau's determination, either Facility or BCBSM may ask the Insurance Commissioner to have the matter heard by an Administrative Law Judge as a Contested Case under the Michigan Administrative Procedures Act. A Contested Case must be requested in writing within 60 days after the Insurance Bureau's determination is mailed, and shall be mailed to the Insurance Bureau at the same address found in the prior step.

### **CIVIL COURT REVIEW**

Either Facility or BCBSM may appeal the Contested Case result to the Ingham County Circuit Court.

### **STATE COURT SYSTEM**

Also, as noted above, at any time after the completion of the Written Complaint or Reconsideration Review and Management Review Conference steps, Facility may attempt to resolve the dispute by initiating an action in the appropriate state court.

**CONFIDENTIALITY POLICY**

The purpose of BCBSM's Confidentiality Policy is to provide for protection of the privacy of Members and the confidentiality of personal data, personal information, and Provider financial data and information.

BCBSM's Confidentiality Policy sets forth guidelines conforming to MCLA 550.1101 et seq. that requires BCBSM's board of directors to "establish and make public the policy of the Corporation regarding the protection of the privacy of Members and the confidentiality of personal data".

In adopting this policy, BCBSM acknowledges the rights of its Members to know that personal data and personal information acquired by BCBSM will be treated with respect and reasonable care to ensure confidentiality; and to know it will not be shared with others except for legitimate business purposes or in accordance with a Member's specific consent or specific statutory authority.

The term "personal data" refers to a document incorporating medical or surgical history, care, treatment or service; or any similar record, including an automated or computer accessible record relative to a Member, that is maintained or stored by a health care corporation.

The term "personal information" refers to a document or any similar record relative to a Member, including an automated or computer accessible record, containing information such as an address, age/birth date, coordination of benefits data, that is maintained or stored by a health care corporation.

The term "Facility financial data and information" refers to a document or other record, including automated or computer record, containing paid claims data, including utilization and payment information. BCBSM will maintain Facility financial data and information as confidential.

BCBSM will collect and maintain necessary Member personal data and take reasonable care to secure these records from unauthorized access and disclosure.

Records containing personal data will be used to verify eligibility and properly adjudicate claims. For coordinated benefits, BCBSM will release applicable data to other insurance carriers to determine appropriate liability.

Enrollment applications, claim forms and other communications to Members will notify Members of these routine uses and contain the Member's consent to release data for these purposes. These forms will also advise the Members of their rights under this policy.

Upon request, a Member will be notified regarding the actual release of personal data.

BCBSM will not release Member specific personal data except on a legitimate need to know basis or where the Member has given specific authorization. Data released with the Member's specific authorization will be subject to the condition that the person receiving the data will not release it further unless the Member executes in writing another prior and specific informed

consent authorizing the additional release. Where protected by specific statutory authority, Member specific data will not be released without appropriate authorization.

Experience-rated and self-funded customers may obtain personal data and Facility financial data for auditing and other purposes provided that claims of identifiable Members are protected in accordance with any specific statutory authority. For these requests, the recipients of the data will enter into a confidentiality and indemnification agreement with BCBSM to ensure confidentiality and to hold BCBSM harmless from any resultant claims or litigation.

Parties acting as agents to customers will be required to sign third party agreements with BCBSM and the recipient of the data prohibiting the use, retention or release of data for other purposes or to other parties than those stated in the agreement.

Data released under this Policy will be subject to the condition that the person to whom the disclosure is made will protect and use the data only as authorized by this policy.

BCBSM will release required data pursuant to any federal, state or local statute or regulation.

For civil and criminal investigation, prosecution or litigation, BCBSM will release requested data to the appropriate law enforcement authorities or in response to appropriate legal process.

**SERVICE REPORTING AND CLAIMS OVERPAYMENTS**

**I. Service Reporting**

Facility will furnish a claim or report to BCBSM in the form and manner BCBSM specifies and furnish any additional information BCBSM may reasonably request to process or review the claim. All services shall be reported without charge to BCBSM or Member, with complete and accurate information, including diagnosis with revenue/procedure codes approved by BCBSM, and such other information as may be required by BCBSM to adjudicate claims.

Facility will use a provider identification number/facility code acceptable to BCBSM for the billing of Covered Services. Facility will only bill BCBSM for services provided by the Approved Site.

Facility agrees to use reasonable efforts to cooperate with and assist BCBSM in coordinating benefits with other sources of coverage for Covered Services by requesting information from Members, including but not limited to information pertaining to workers' compensation, other group health insurance, third party liability and other coverages. Facility further agrees to identify those Members with Medicare coverage and to bill BCBSM or Medicare consistent with applicable federal and state laws and regulations. When Facility is aware the patient has primary coverage with another third party payer or entity, Facility agrees to submit the claim to that party before submitting a claim for the services to BCBSM.

**II. Overpayments**

Facility shall promptly report to BCBSM any overpayments Facility receives resulting from BCBSM claims payment errors or Facility billing errors, and agrees BCBSM will be permitted to deduct overpayments, whether discovered by Facility or BCBSM, from future BCBSM payments. BCBSM shall provide an explanation of the credit action taken.

**SERVICES FOR WHICH FACILITY  
MAY BILL MEMBER**

Facility may bill Member for:

1. Noncovered Services, unless the service has been deemed a Noncovered Service solely as a result of a determination by a Physician acting for BCBSM that the service was not Medically Necessary, in which case, Facility assumes full financial responsibility for the denied claims. Facility may bill the Member for claims denied as Medically Unnecessary only as stated in paragraph 2., below;
2. Services determined by BCBSM to be Medically Unnecessary, where the Member acknowledges that BCBSM will not make payment for such services, and the Member has assumed financial responsibility for such services in writing and in advance of the receipt of such services;
3. Covered Services denied by BCBSM as untimely billed, if all of the following requirements are met:
  - a. Facility documents that an acceptable claim was not submitted to BCBSM within 12 months of performance of such services because a Member failed to provide proper identifying information; and
  - b. Facility submits a claim to BCBSM for consideration for payment within three months after obtaining the necessary information.

**UTILIZATION REVIEW AND CLAIMS PAYMENT AUDIT AND RECOVERY POLICY**

**I. Records**

BCBSM shall have access to Members' medical records or other pertinent records of Facility to verify Medical Necessity and appropriateness of payment and may inspect and photocopy the records. BCBSM will reimburse Facility for the reasonable copying expense incurred by Facility where Facility copies records requested by BCBSM in connection with BCBSM audit activities.

Facility shall prepare and maintain all appropriate records on all Members receiving services. Facility shall prepare, keep and maintain records in accordance with BCBSM's existing record keeping and documentation requirements and standards previously communicated to Facilities by BCBSM, and such requirements subsequently developed that are communicated to Facility prior to their implementation, and as required by state and federal law.

**II. Scope of Audits**

Audits may consist of, but are not necessarily limited to, verification of services provided, Facility's adherence to BCBSM's published policies, Medical Necessity of services provided, and appropriateness of revenue/procedure codes reported to BCBSM.

**III. Time**

BCBSM may conduct on-site inspections and audits during Facility's regular business hours. Facility agrees to allow such on-site inspections and audits within 30 days of the request by BCBSM. BCBSM's inspection, audit and photocopying or duplication shall be allowed during regular business hours, upon reasonable notice of dates and times.

**IV. Recovery/Payment of Interest**

BCBSM shall have the right to recover amounts paid for services not meeting applicable benefit criteria, services not verified in Facility's records, services not billed in accordance with BCBSM's published policies, services provided by a site that was not an Approved Site, and services that are not Medically Necessary as determined by BCBSM. BCBSM will not utilize statistical sampling methodologies to extrapolate refund requests on Medical Necessity issues identified through sampling. BCBSM may extrapolate refund recoveries from statistically valid samples involving issues other than Medical Necessity, including, but not limited to, revenue/procedure code billing errors.

BCBSM shall have the right to initiate recovery of amounts paid for services up to two years from the date of payment, except in instances of fraud, as to which there will be no time limit on recoveries. Facility agrees BCBSM will be permitted to deduct such overpayments from future BCBSM payments. BCBSM shall provide an explanation of the credit action taken and may continue deductions until the full amount is recovered. In audit refund recovery situations, where Facility appeals the BCBSM determination, BCBSM will defer deduction of overpayments until the determination, or the last unappealed determination, whichever occurs first. If audit refund recoveries and other overpayment obligations are not fully repaid over the course of one month, they will bear interest at the BCBSM prevailing rate, from the date of the refund request, until fully repaid.

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